This is a class in Public Economics – the economics of taxation, spending, etc.

Below is a rough outline of how the class will go. It is not set in stone. If someone in the class has some ideas about what they would like to do, I’m game for that too.

If you’re taking the class for credit, you’ll be required to give a presentation. This will consist of about 30 minutes (?) of class time in which you summarize a paper related to the topics that we will be discussing. Some examples of papers that you might discuss/present are on the last couple of pages here.

**Rough Outline for Class**

1. Optimality of Lump Sum Taxation (Notes) and some related background ideas (a lump sum equivalence result in a Ramsey setting and the taxing of leisure).

2. Two simple results on Ramsey Taxation – linear taxes
   a) homothetic utility and the uniform commodity taxation result
   b) the Diamond and Mirrlees intermediate goods result

   Principal Reference:

3) Why not lump-sum? Non-linear taxation and a Mirrlees example in a static model (Notes)

   Principal Reference:

4) Dynamics and the Inverse Euler Equation, (positive savings wedges)

   Principal Reference:

5) Adding dynamics and immiseration –

   Principal Reference:

6) Solving immiseration, one method –

Principal Reference:

7) Population and Efficiency –

Principal Reference:

8) Health and the safety net –

Principal Reference:

Further Readings on Topics 3 – 8, and Two other Topics too

3) Why not lump-sum?


4) The Inverse Euler Equation, positive savings wedges


“Capital Taxation: Quantitative Explorations of the Inverse Euler Equation” Emmanuel Farhi and Ivan Werning.


5) Adding dynamics and immiseration –


6) Solving immiseration, other papers/methods:


7) Population and Efficiency –

Immigration – George Borjas at JFK, Harvard is the person people talk about for this topic, mostly about what are the effects on wages from increased immigration.


“Rethinking the Effects of Immigration on Wages,” Gianmarco I. P. Ottaviano and Giovanni Peri, October 2006.

“Rethinking the Effect of Immigration on Wages,” Gianmarco I.P. Ottaviano, (Bocconi University and CEPR) and Giovanni Peri, (University of California, Davis and NBER), March 2010.

Health Externalities ???

8) Health and the safety net –

9) Optimal dynamic contracts with correlated shocks –


10) Applying 9 to taxes:

“Insurance and Taxation over the Life Cycle,” Emmanuel Farhi and Ivan Werning.

“Optimal Dynamic Taxes,” Mikhail Golosov, Maxim Troshkin and Aleh Tsyvinski, July 2010